

AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION

AGENCY SUBMITTING REGULATION: Commission on Culture & Tourism (CCCT) Date: March 18, 2008

SUBJECT MATTER OF REGULATION: Digital Animation Production Company
Tax Credit Program

REGULATION SECTION NOS. 12-217II-1 to 12-217II-12 STATUTORY AUTHORITY 07-236, Section 3 as amended

OTHER AGENCIES AFFECTED: Department of Revenue Services (“DRS”)

EFFECTIVE DATE USED IN COST ESTIMATE: March 18, 2008

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SUMMARY OF STATE COST AND REVENUE IMPACT OF PROPOSED REGULATION

Agency CCCT Fund Affected General Fund (Costs)
DRS General Fund (Revenue Loss)

	First Year <u>2008</u>	Second Year <u>2009</u>	Full Operation <u>2010</u>
Number of Positions	2 (½ year)	3	3
Personal Services	\$60,000 ^{1/}	\$180,000 ^{1/}	\$180,000 ^{1/}
Other Expenses	-	-	-
Equipment	-	-	-
Grants	-	-	-
Total State Cost (Savings)	\$60,000 ^{1/}	\$180,000 ^{1/}	\$180,000 ^{1/}
Estimated Revenue Gain (Loss)			
Total Net State Cost (Savings)			

^{1/} Plus fringe benefits
DRS (Revenue Loss) -0- (\$15 million) (\$15 million)

EXPLANATION OF STATE IMPACT OF REGULATION:

The regulations implement the provisions of P.A. 07-236, Section 3, as amended, which established a digital animation production company tax credit under the corporations business tax and the insurance premiums tax to in-state digital animation production companies employing 300 or more employees. One such eligible company is in the process of relocating to Fairfield County. The tax credit amount is thirty percent (30%) of qualified production expenses in excess of \$50,000 annually. As of this date, no digital animation production company tax credits are expected to be issued by the end of Fiscal Year 2008. However, the statutory cap of \$15 million per state fiscal year could likely be reached in Fiscal Year 2009 and Fiscal Year 2010.

The General Fund cost to CCCT results from the need for two (2) additional positions in the Film Division in Fiscal Year 2008 and one additional position in Fiscal Year 2009. It is noted that the added positions will assist in the administration of the film production tax credit program and the film industry infrastructure tax credit program also.

EXPLANATION OF MUNICIPAL IMPACT OF REGULATION: None

REGULATORY FLEXIBILITY: N/A